

Message Text

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C O N F I D E N T I A L STATE 047739

FOLLOWING REPAT BONN 3121 ACTION SECSTATE INFO BELGRADE
BRUSSELS COPENHAGEN DUBLIN LONDON LUXEMBOURG PARIS THE
HAGUE ROME EC BRUSSELS 25 FEB

QUOTE

C O N F I D E N T I A L BONN 03121

E.O. 11652: GDS

TAGS: ETRD, EEWT, YO, GW

SUBJECT: FRG-YUGOSLAVIA ECONOMIC RELATIONS

REF: (A) BELGRADE 6024 OF NOVEMBER 13, 1975

(B) EC BRUSSELS 1753

1. SUMMARY. GOY TRADE OFFICIAL LUDVIGER HOLDS
INCONCLUSIVE TALKS IN BONN ON WAYS TO RELIEVE CHRONIC
TRADE IMBALANCE WITH FRG. HE SAYS GOY HOPES TO EXPORT
MORE TO WEST GERMANY IN COURSE OF 1976 ECONOMIC
UPSWING.

END SUMMARY.

2. ECONMINISTRY OFFICE DIRECTOR DITTMAR HAS BRIEFED
EMBOFF ON FRG-GOY TRADE RELATIONS IN LIGHT
FEBRUARY 3 VISIT BY EMIT LUDVIGER, MEMBER OF FEDERAL
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EXECUTIVE COUNCIL, WHO CONTINUED ONGOING DISCUSSION

OF GOY'S CHRONIC TRADE DEFICIT WITH FRG. FORMINISTER MINIC LAST RAISED THIS SUBJECT IN NOVEMBER (REF A). AFTER MEETING WITH ECONMINISTER FRIDERICH, LUDVIGER MADE BRIEF GENERAL REMARKS TO PRESS, SAYING THAT YUGOSLAVIA SEES CHANCE TO EXPORT MORE DURING EXPECTED WEST GERMAN ECONOMIC UPSWING IN SECOND HALF 1976.

3. DITTMAR EXPLAINED THAT FRG REGARDS YUGOSLAVIA AS "SIGNIFICANT TRADE PARTNER." YUGOSLAVIA IN 1975 BOUGHT SOME 2 OF TOTAL WEST GERMAN EXPORTS. BILATERAL TRADE VOLUME WAS DM 6.258 BILLION (UP 2 OVER 1974); FRG EXPORTS WERE DM 4.661 BILLION (UP 3) AND GOY EXPORTS WERE DM 1.597 BILLION (DOWN

0.6). HOWEVER, 1975 WAS FIRST YEAR IN WHICH GOY FAILED TO COVER THIS BILATERAL TRADE DEFICIT WITH TOURIST RECEIPTS AND WORKER REMITTANCES. THESE ITEMS TOTALED DM 2.7 BILLION IN 1975 (AGAINST TRADE DEFICIT OF DM 3.1 BILLION). REMITTANCES DECLINED FROM DM 2.2 BILLION (1974) TO DM 1.8 BILLION (1975).

4. DITTMAR SAID FRG, IN RESPONSE GOY APPEAL FOR HELP IN ARRESTING ITS DETERIORATING TRADE POSITION, HAS RAISED CEILING ON OFFICIALLY-BACKED CREDITS FROM DM 2 BILLION TO DM 2.250 BILLION. THIS FIGURE INCLUDES (A) REGULAR HERMES PROGRAM, ANNUAL CEILING FOR WHICH HAS BEEN RAISED FROM DM 200 MILLION TO DM 300 MILLION (CURRENT HERMES EXPOSURE IN YUGOSLAVIA AMOUNTS TO DM 1.3 BILLION); (B) ONE-TIME HERMES COVERAGE OF DM 50 MILLION FOR WEST GERMAN SUB-CONTRACTOR DELIVERIES TO THIRD-MARKET PROJECTS UNDER YUGOSLAV LEADERSHIP; AND (C) UNRESTRICTED CREDITS. DITTMAR SAID THAT YUGOSLAVS SO FAR HAVE MADE NO USE OF (B), BECAUSE -- IN HIS VIEW -- THEIR FIRMS' PRODUCTS ARE NOT TOO COMPETITIVE.

5. BECAUSE OF CHRONIC TRADE IMBALANCE AND STATE OF GOY ECONOMY, FRG DOES NOT EXPECT TO EXPORT SIGNIFICANTLY MORE TO YUGOSLAVIA IN 1976.
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ADDITIONAL REASON, AS EXPLAINED BY LUDVIGER, IS THAT GOY PLANS TO PURSUE "BUY YUGOSLAV" POLICY IN ORDER LIMIT GROWTH IN IMPORTS FROM WEST.

6. ACCORDING DITTMAR LUDVIGER SHOWED NO INTEREST IN DISCUSSING EC BEEF IMPORT BAN. HE CLAIMED THAT GOY HAS DECIDED TO EXPORT ITS BEEF TO USSR. HILLENBRAND UNQUOTE INGERSOLL

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